



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
KENTON COUNTY
SHERIFF'S SETTLEMENT - 1998 TAXES**

May 11, 1999

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Richard L. Murgatroyd, County Judge/Executive
Honorable Charles L. Korzenborn, Kenton County Sheriff
Members of the Kenton County Fiscal Court

Independent Auditor's Report

We have audited the Kenton County Sheriff's Settlement - 1998 Taxes as of May 11, 1999. This tax settlement is the responsibility of the Kenton County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Kenton County Sheriff's taxes charged, credited, and paid as of May 11, 1999, in conformity with the basis of accounting described in the preceding paragraph.

Based on the results of our audit, we have presented a comment and recommendation, included herein, which discusses the following area of noncompliance.

- The Sheriff Should Have Paid School Boards The Proper Share Of Interest Earned On Investment Of School Taxes

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

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Honorable Charles L. Korzenborn, Kenton County Sheriff

Members of the Kenton County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated October 5, 1999, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
October 5, 1999

KENTON COUNTY
CHARLES L. KORZENBORN, SHERIFF
SHERIFF'S SETTLEMENT - 1998 TAXES

May 11, 1999

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 370,104	\$ 368,711	\$ 1,732,866	\$ 438,960
Tangible Personal Property	26,222	21,795	115,931	56,338
Intangible Personal Property				27,606
Franchise Corporation	39,647	49,777	149,234	
Omitted Taxes	903	749	3,312	1,071
Increased Through Erroneous Assessments	50	79	182	59
Penalties	26,001	25,426	120,528	33,482
Adjusted to Sheriff's Receipt	1	10	2	3
Gross Chargeable to Sheriff	<u>\$ 462,928</u>	<u>\$ 466,547</u>	<u>\$ 2,122,055</u>	<u>\$ 557,519</u>
<u>Credits</u>				
Discounts	\$ (1)	\$ (1)	\$ (10)	\$ (1)
Exonerations	2,358	2,134	13,366	2,798
Delinquents:				
Real Estate	47,243	50,846	225,448	56,032
Tangible Personal Property	10,830	9,180	51,021	24,055
Intangible Personal Property				5,794
Uncollected Franchise Corporation	<u>38,120</u>	<u>48,227</u>	<u>144,327</u>	
Total Credits	<u>\$ 98,550</u>	<u>\$ 110,386</u>	<u>\$ 434,152</u>	<u>\$ 88,678</u>
Net Tax Yield	\$ 364,378	\$ 356,161	\$ 1,687,903	\$ 468,841
Less: Commissions (a)	<u>15,486</u>	<u>13,346</u>	<u>33,758</u>	<u>19,926</u>
Net Taxes Due	\$ 348,892	\$ 342,815	\$ 1,654,145	\$ 448,915
Taxes Paid	348,466	342,367	1,652,269	448,385
Prior Year Refunds	<u>580</u>	<u>575</u>	<u>2,051</u>	<u>557</u>
Refunds (Due Sheriff)		(b)	(c)	
as of Completion of Fieldwork	<u>\$ (154)</u>	<u>\$ (127)</u>	<u>\$ (175)</u>	<u>\$ (27)</u>

(a), (b), and (c) See Page 4

KENTON COUNTY
 CHARLES L. KORZENBORN, SHERIFF
 SHERIFF'S SETTLEMENT - 1998 TAXES
 May 11, 1999
 (Continued)

4.25% on	\$	1,134,291
2% on	\$	1,687,903
1% on	\$	55,089

(b) Special Taxing Districts:

Library District	\$	(73)
Health District		(20)
Extension District		(12)
NKAPC District		(22)
		<hr/>

Refunds Due Sheriff	\$	(127)
		<hr/>

(c) School Taxing Districts:

Common School District	\$	(132)
Erlanger School District		(43)
		<hr/>

Refunds Due Sheriff	\$	(175)
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The accompanying notes are an integral part of the financial statement.

KENTON COUNTY
NOTES TO FINANCIAL STATEMENT

May 11, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff met the requirements stated above, and as of May 11, 1999, deposits were fully insured or collateralized at a 100% level with collateral held by the county official's agent in the county official's name.

KENTON COUNTY
NOTES TO FINANCIAL STATEMENT
May 11, 1999
(Continued)

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1998. Property taxes were billed to finance governmental services for the year ended June 30, 1999. Liens are effective when the tax bills become delinquent. The collection period for these assessments was January 19, 1999 through March 30, 1999.

Note 4. Interest Income

The Kenton County Sheriff earned \$2,080 as interest income on 1998 taxes. The Sheriff did not distribute the appropriate amount to the school districts as required by statute. He owes \$1,172 to the following schools: \$523 to the Common School District; \$467 to Covington School District; \$35 to Ludlow School District; \$104 to Erlanger School District; and \$43 to Beechwood School District. He also owes \$908 from his tax account to his fee account for the operation of his office.

Note 5. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After seven years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. For the 1998 taxes, the Sheriff had \$390 in unrefundable duplicate payments and unexplained receipts. Therefore, the Sheriff should send a written report to the Treasury Department.

COMMENT AND RECOMMENDATION

KENTON COUNTY
CHARLES L. KORZENBORN, SHERIFF
COMMENT AND RECOMMENDATION

May 11, 1999

STATE LAWS AND REGULATIONS:

The Sheriff Should Have Paid School Boards The Proper Share Of Interest Earned On Investment Of School Taxes.

Pursuant to KRS 134.140(b), at the time of his monthly distribution of taxes to the district boards of education, the Sheriff should pay to each board of education that part of his investment earnings for the month which is attributable to the investment of school taxes less his commission of 4% for expenses. The proper share shall be determined by comparing the school tax to the total taxes collected and using that percentage as a factor. Interest earned as of May 11, 1999 totaled \$2,080. We recommend that the Sheriff immediately distribute from his 1998 tax account the following amounts:

<u>Pay To</u>	<u>Amounts</u>
Fee Account	\$ 908
Common School	523
Covington School	467
Ludlow School	35
Erlanger School	104
Beechwood School	43
Total	<u>\$2,080</u>

Management's Response:

Sheriff understands.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Richard L. Murgatroyd, County Judge/Executive
Honorable Charles L. Korzenborn, Kenton County Sheriff
Members of the Kenton County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Kenton County Sheriff's Settlement – 1998 Taxes as of May 11, 1999, and have issued our report thereon dated October 5, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Kenton County Sheriff's Settlement – 1998 Taxes as of May 11, 1999 is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Kenton County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Richard L. Murgatroyd, County Judge/Executive
Honorable Charles L. Korzenborn, Kenton County Sheriff
Members of the Kenton County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 5, 1999

